



**MINUTES OF THE
LAND RECLAMATION COMMISSION
TELECONFERENCE MEETING**

June 9, 2005

Chairman Jim DiPardo called the meeting to order at 1:40 p.m. at the Missouri Department of Natural Resources, 1738 East Elm Street, Jefferson City, Missouri.

Commissioners Present: Jim DiPardo; Mimi Garstang; Dr. Gregory Haddock; Bob Ziehmer, Nick Matherly; and Kevin Mohammadi.

Staff Present: Larry Coen and Shirley Grantham.

Others Present: Rich AuBuchon, Attorney General's Office.

1. NORTH AMERICAN RESOURCES, INC. (SILVER CREEK MINE AND FOSTER MINE), AND RIEDEL ENERGY, INC. (PERRY MINE) - SETTLEMENT OFFER BY FRONTIER INSURANCE COMPANY (Attachment 1)

Mr. AuBuchon stated the attorney who represents Frontier Insurance has made a cash-out offer of \$100,000.00. This is a cash-out settlement and a take it or leave it offer. Frontier Insurance Company in Rehabilitation, now currently in the bankruptcy setting in the State of New York, is looking very grim for having a rehabilitation. The likelihood that Frontier Insurance Company will go into receivership and liquidation is high. The attorney representing Frontier Insurance Company has conveyed to him that it would be a very high priority for the Commission to bring this offer before it and to accept this offer expeditiously.

Dr. Haddock asked whether it was correct that the settlement offer of \$100,000.00 is about one-third of the actual amount that would be needed to clean up and that it is probably the only money the Commission would receive?

Mr. Coen stated that is what the Program understands to be true. There is a possibility that things could improve from that estimate because landowners in the areas have been developing the properties and might possibly do some reclamation themselves just because they might have businesses or whatever in order to move forward. The Program believes that that may continue to occur, so the State's liability could shrink as that happens. Anyway, the Program's best estimate, about six months old, is that it is about one-third.

Mr. AuBuchon stated the likelihood of receiving any money from Frontier Insurance, should the Commission deny this offer and then file a claim with Frontier, is very low.

Mr. AuBuchon stated that if Frontier Insurance goes to a liquidation process, what the Commission would be required to do under the Uniform Insurance Liquidation Act is to file a lawsuit in New York, requiring the Missouri Attorney General to contact local counsel in the State of New York. Then, once we have made our claim legitimate, we would then be put in line with all other creditors similarly situated to receive basically the left-overs that the company would have after all other claims have been paid ahead of us. So, the likelihood of getting money out of the situation if the Commission were to deny the offer and go forward with the claim would be very low. Even if we were to get cash out of it, it would not be every dollar that we would request.

Mr. DiPardo asked if the Commission accepts the offer of the \$100,000.00 and it is used at the sites to try to make the situation better, what is the chance of the Commission getting sued by the landowners? Would they say that the Commission did not keep its side of the bargain?

Mr. Coen stated he doubted that would happen. First of all, there is a bond pool. However, it is mostly committed; but if there was something at the sites that absolutely had to be taken care of, these resources would be available to do that. Mr. Coen stated he felt it would be a difficult claim for anyone to make to require the State of Missouri to spend money that it did not get because of bankruptcy. That would be the Program's defense that it got short changed by the insurance company and therefore the Program was helpless to do anything about it. The Program would not leave anything that is a real problem, but most of the area is really a maintenance issue, so there are no big holes or safety issues where someone might get hurt or killed. It is just erosion, gullies, such as things that might be found on a farm that has been let go for a couple of years.

Dr. Haddock made the motion that the Land Reclamation Commission ask the State to accept the settlement offer from Frontier Insurance Company regarding North American Resources and Riedel Energy mine obligations that it has of \$100,000.00. Mr. Mohammadi seconded; motion carried unanimously.

2. OTHER BUSINESS

Dr. Haddock asked that during the May 26, 2005, Commission meeting, the Commission tabled a request for a hearing regarding Colonial Limestone in Mercer County; and we asked them if they wanted to ask the complainant if they wanted to withdraw their request for a hearing. Has anything been heard regarding this and does the Commission need to do anything at this time?

Mr. Coen stated the Program has been in contact with Colonial Limestone and reminded them that the ball is in their court and to redo their mine plan to the point that satisfies their detractors. The company indicated they know this and that they are working on it, but there is nothing to present to the Commission today.

Mr. DiPardo stated the Commission had instructed Colonial Limestone that they are not to be mining in the 40-acre area. The company indicated they are not.

Mr. Coen stated an inspection of the site will be made prior to the Commission's taking another action on that site.

Mr. Mohammadi left at this time.

3. ADJOURNMENT

Ms. Garstang made the motion the meeting be adjourned. Dr. Haddock seconded; motion carried unanimously.

The meeting ended at 1:54 p.m.

Respectfully submitted,

Chairman